

## City-County Council Committee on Public Works

### ***The Department of Waterworks and The Indianapolis Local Public Improvement Bond Bank***



**City of Indianapolis  
Department of Waterworks**



**August 16, 2007**

## ***Discussion Topics / Presentation Overview***



- Section 1: Overview and History of the Department of Waterworks**
- Section 2: Proposed Transaction / Plan of Finance**
- Section 3: Actions Required**
- Section 4: Questions and Answers**



# ***Overview and History of the Department of Waterworks***

## ***Department of Waterworks Overview and History***



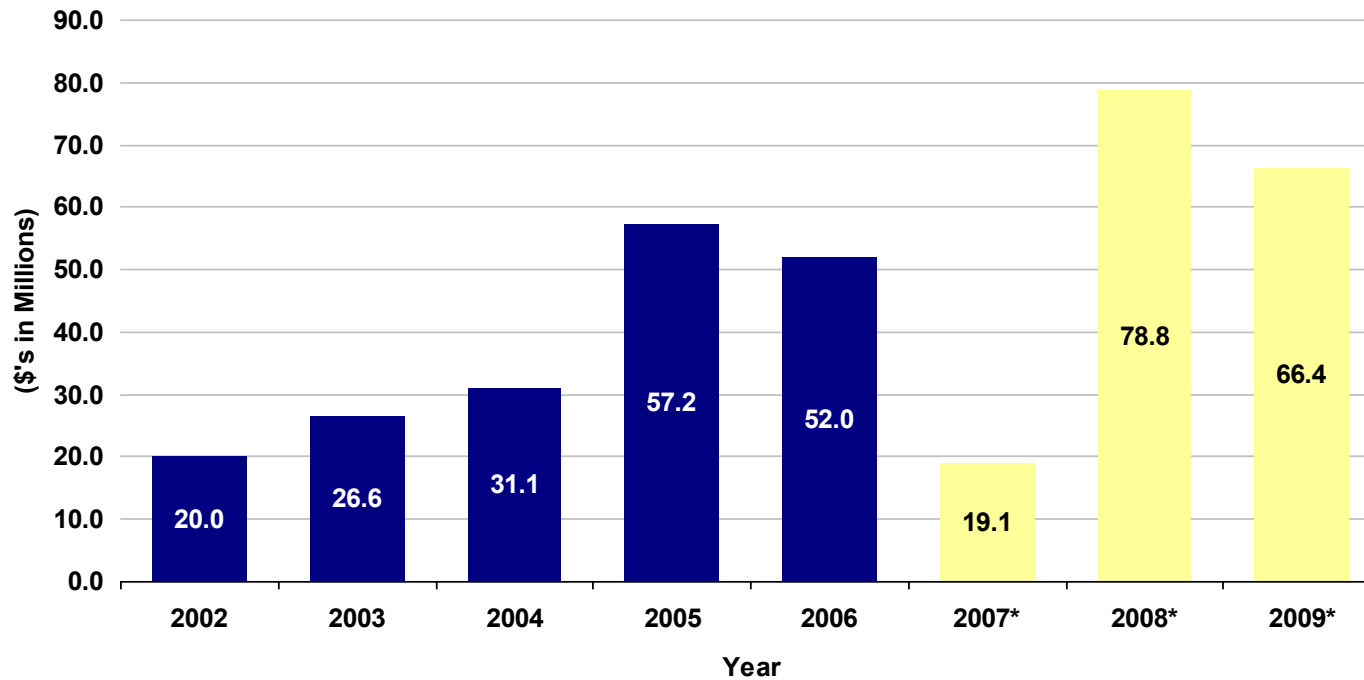
- **DOW was created by General Ordinance 112 in November 2001.**
- **City of Indianapolis acquired the assets of the Indianapolis Water Company (IWC) from NiSource-- transaction closed April 30, 2002**
- **Bonds issued by DOW in 2002 to purchase the assets of the water company**
  - **Acquisition bonds: \$580,370,000, plus assumed bonds (\$29.4 million Town of Fishers Economic Development Water Facilities Revenue Bonds, Series 1998 and \$9.8 million Indianapolis Economic Development Water Facilities Revenue Bonds, Series 1998**
- **Subsequent transactions:**
  - **Refundings: 2005 F and G; 2006 A and 2007 B**
  - **New Money: 2004 A and 2005 H**
- **As part of the acquisition of the Waterworks, the DOW entered into a long-term management agreement with Veolia Water North America Operating Services Inc. (VWI) VWI manages the operations, maintenance and customer service facets of the Waterworks**



# Department of Waterworks Historical and Projected Capital Needs



## Historical and Future Capital Requirements





# ***Proposed Transaction / Plan Of Finance***



## ***Proposed Transaction Overview***



- **Proposal 333 authorizes the issuance of up to \$125 million in bonds to support needed capital projects**
  - DOW petitioned IURC for rate adjustment. The petition contemplated the issuance of additional debt to fund capital improvements through 2009
  - On April 4, 2007, DOW received a rate order from the IURC for the increases in rates and charges for the additional capital improvements.
  - New rate structure has been implemented
  - Review of options and potential structures

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\* Per IURC order dated April 4, 2007

# Summary Of Financing Results: Level Debt Service Through 2042



Selected Results	Traditional Bonds (Base Case)	Non-Callable Bonds	Index Floaters	SIFMA Swap	Callable 15-Year SIFMA Swap
Par Amount	\$105,420,000	\$99,795,000	\$109,015,000	\$108,380,000	\$108,740,000
Project Fund Deposit	95,817,060	95,791,348	95,720,972	95,938,001	95,726,918
Cap Interest Deposit	9,308,318	9,200,856	8,814,421	8,468,176	8,917,661
Avg Annual Net DS	6,219,627	6,059,945	6,128,668	5,937,897	6,129,109
Total Net DS	211,467,314	206,038,142	208,374,713	201,888,486	208,389,697
All-In TIC	4.786%	4.614%	4.698%	4.481%	4.720%
PV Net DS Saving/(Loss) Fr Base Case <sup>1</sup>	n/a	\$2,460,094	\$1,401,319	\$4,064,069	\$1,115,080
Comments (Compared to Base Case)	Low cost option with little or no risk	Lower Cost option but restricted call option	Slightly reduces borrowing costs and introduces only counterparty and termination risks	Lower borrowing costs with minimal basis risk	Reduces the termination risk and increases the borrowing costs (vs. SIFMA Swap)

<sup>1</sup> PV Net D/S difference based on a 4.75% discount rate to 8/1/2007



## Summary Of Financing Results: Level Debt Service With 2038 Balloon Payment

Selected Results	Traditional Bonds	Non-Callable Bonds	Index Floaters	SIFMA Swap	Callable 15-Year SIFMA Swap
Par Amount	\$105,415,000	\$99,795,000	\$109,000,000	\$108,370,000	\$108,730,000
Project Fund Deposit	95,817,716	95,797,529	95,730,800	95,941,634	95,726,992
Cap Interest Deposit	9,307,998	9,202,000	8,799,209	8,460,232	8,916,849
Avg Annual Net DS	6,967,883	6,785,236	6,863,312	6,659,927	6,873,777
Total Net DS	209,036,487	203,557,088	205,899,355	199,797,797	206,213,297
All-In TIC	4.784%	4.608%	4.688%	4.478%	4.720%
PV Net DS Saving/(Loss) Fr Base Case <sup>1</sup>	\$(86,630)	\$2,399,016	\$1,399,470	\$3,963,750	\$989,085
Comments (Compared to Base Case)	Low cost option with little or no risk	Lower Cost option but restricted call option	Slightly reduces borrowing costs and introduces only counterparty and termination risks	Lower borrowing costs with minimal basis risk	Reduces the termination risk and increases the borrowing costs (vs. SIFMA Swap)

<sup>1</sup> PV Net D/S difference based on a 4.75% discount rate to 8/1/2007

# The Proposed New Money Transaction will Have Little Effect on the DOW's Capital Debt Structure

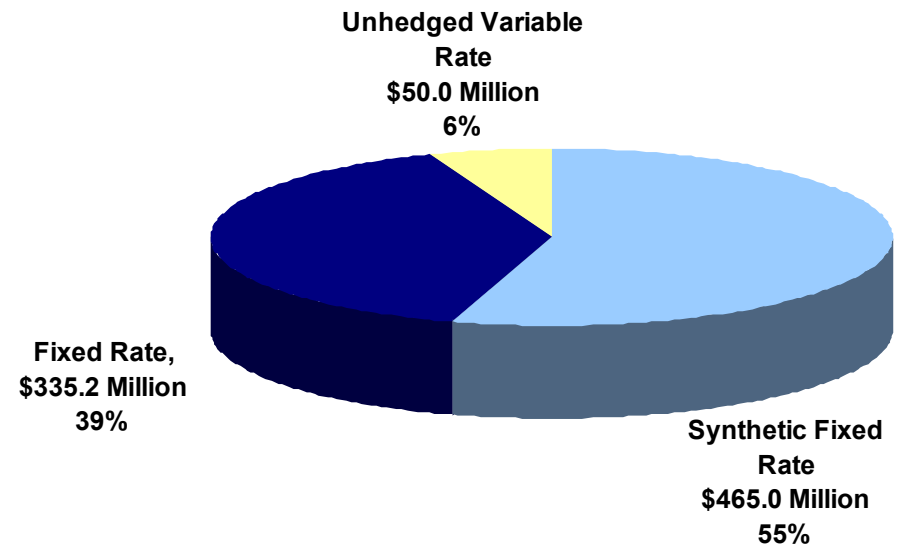
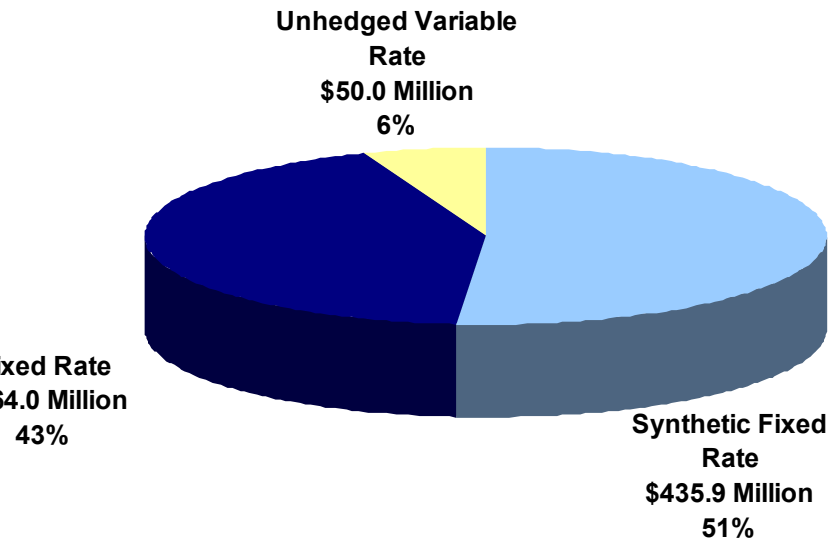


## Series 2007L Scenario #1 – 100% Fixed Rate Bonds

Series	Par Outstanding	Description
2002 A	\$ 39,720,000	Fixed Rate (Call / Non-Callable)
2004 A	50,000,000	Auction Rate
2005 F	70,255,000	Fixed Rate (Call / Non-Callable)
2005 G	388,100,000	67% of LIBOR
2005 H	47,810,000	67% of LIBOR
2006 A	77,830,000	Fixed Rate (Non-Callable)
2007 B	70,410,000	Fixed Rate (Non-Callable)
2007 L	105,815,000	100% Fixed Rate
<b>Total</b>	<b>\$ 849,940,000</b>	

## Series 2007L Scenario #2 – 73% Fixed Rate Bonds, 27% SIFMA Swap

Series	Par Outstanding	Description
2002 A	\$ 39,720,000	Fixed Rate (Call / Non-Callable)
2004 A	50,000,000	Auction Rate
2005 F	70,255,000	Fixed Rate (Call / Non-Callable)
2005 G	388,100,000	67% of LIBOR
2005 H	47,810,000	67% of LIBOR
2006 A	77,830,000	Fixed Rate (Non-Callable)
2007 B	70,410,000	Fixed Rate (Non-Callable)
2007 L	106,130,000	73% Fixed Rate, 27% Synthetic Fixed
<b>Total</b>	<b>\$ 850,255,000</b>	



## ***Pledge And Security On Any Debt Issued***



- **All of the Waterworks Bonds have been purchased by the Bond Bank**
  - The Bond Bank Bonds are limited obligations of the Bond Bank and secured by payments from the DOW on their Waterworks Bonds
  - NO PROPERTY TAX REVENUES
- **The Waterworks Bonds are solely secured by Net Revenues of the Waterworks and certain pledged funds**
  - Net Revenues of the Waterworks include all income and revenues received/accrued, under GAAP, directly/indirectly from the sale of water, goods and/or services reduced by O & M expenses
  - All amounts received by DOW remain with DOW; no amounts are transferred to the City, except for PILOTs and reimbursements
  - Debt service reserve fund is equal to 1/2 Combined Maximum Annual Debt Service
  - *Temporary* Moral Obligation pledge from the City to replenish any deficiencies in debt service reserve fund (which will expire on December 31, 2007)



## ***Actions Required***



## ***Actions Required***



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- **City-County Council Public Works Committee Approval**
  - **Full City County Council Approval**
  - **The Waterworks and Indianapolis Bond Bank Boards' approval**
  - **Selection of bond structure (i.e., traditional fixed debt vs. synthetic fixed rate debt; final maturity date)**
  - **Bond credit ratings and insurance**
  - **Update Official Statement**
  - **Pricing/underwriting of bonds – subject to market conditions**
  - **Closing and delivery of the bonds**
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***Questions?***

***Answers.***



**City of Indianapolis  
Department of Waterworks**